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SUBJECT: NICARAGUA: AMBASSADOR CALLS ON MINISTER OF
AGRICULTURE AND FORESTRY

¶1. (SBU) Summary. The Ambassador called on the new Minister for Agriculture and Forestry Ariel Bucardo Rocha to introduce himself and discuss bilateral cooperation and growing bilateral trade. Existing bilateral cooperation centers upon U.S. Department of Agriculture animal and plant health programs, and the Millennium Challenge Corporation program in the Departments of Leon and Chinandega. The Ambassador also described U.S. in advancing biofuels in Nicaragua. Bucardo told the Ambassador that, from his perspective, the country needed a rural development bank focused on serving rural agriculture. A bank and/or some type of small farmers agricultural extension service could assist in helping small farmers move into new product markets and acquire new technology. Bucardo discussed efforts to normalize the timber industry in the wake of the June 2006 moratorium on exports; he opined that a new law is needed to stop illegal logging. Bucardo reported that rainy weather was primarily responsible for this year's poor coffee harvest. End Summary.

Introduction -----

¶2. (SBU) On January 30, the Ambassador met with new Minister of Agriculture and Forestry Ariel Bucardo Rocha. Joining the Minister was Vice Minister Benjamin Dixon. Also attending was the Mission's Animal and Plant Health Inspection Service (APHIS) Attache' and Econoff.

Areas of Cooperation -----

¶3. (SBU) The Ambassador opened the meeting by saying that the United States wanted to work with the Ministry of Agriculture and Forestry (MAGFOR) to achieve success in areas important to the ministry. He explained that his priority was to support the U.S.-Central American Free Trade Agreement (CAFTA). Though CAFTA was still young, bilateral trade is increasing and agriculture is an important element in the Nicaraguan export picture. The Ambassador observed that while traditional agriculture in Nicaragua focuses on corn and beans, there has been a shift toward crops that return higher value, such as organic coffee and greenhouse-grown peppers. Bucardo noted that there is also a growing market for some traditional products, such as beans to the Central American region. (Note: USAID provided support for a black bean packing plant for Horti Frutti, a Walmart company that recently came on-line. Horti Frutti is now exporting beans to Costa Rica.)

¶4. (SBU) The Ambassador stated that meeting international standards is crucial to the export of agricultural products.

The United States wants to help Nicaragua expand disease-free areas and agricultural production. The United States Department of Agriculture (USDA) is helping Nicaragua declare areas free of the Mediterranean fruit fly and meet health safety standards for poultry production. APHIS Attache' mentioned other programs that APHIS has with MAGFOR, in particular animal health programs through PROVESA (MAGFOR's animal health surveillance program) and PROVISAVE (MAGFOR's plant health surveillance program). Bucardo expressed his appreciation for APHIS' screwworm eradication program and mentioned his hope that some day Nicaragua would also be free of classical swine fever. APHIS Attache' will follow up with the Minister on bovine brucellosis, bovine tuberculosis, and New Castle disease. The eradication of New Castle disease and a fruit fly free area would greatly improve the potential for Nicaragua to export agricultural products to the global market.

15. (SBU) The Ambassador mentioned that the Millennium Challenge Corporation (MCC) is working with cooperatives in the Departments of Leon and Chinandega to improve the quality of milk processing in the region and to facilitate regional trade. Bucardo is from Leon, and appeared well-versed on the Millennium Challenge Account in Nicaragua. Noting that he would attend an MCC board meeting that afternoon as an observer, Bucardo wanted to know whether the MCC would maintain the pace of its current program. The Ambassador assured him that it would, and discussed the makeup of the board of directors, which includes representatives from involved ministries. (Note: Bucardo participates on the MCC board as an observer.) Bucardo thought that the MCC model could be replicated in other regions and/or for certain sectors. The advantage, he explained, is that projects operate off budget, and so are not subject to earmarks and IMF conditions. In addition, the model provides a way to directly involve the private and social sectors.

16. (SBU) Another area of interest for the United States, said the Ambassador, is the potential for biofuel production in Nicaragua and other Central American countries. Bucardo felt that biofuels must be approached with some caution, since biofuel production overlaps with food production. If corn prices go up, Bucardo pointed out, then so does the price of chicken. At the end of the day, we are all consumers of food (and fuel), he said.

Microfinance -----

17. (SBU) Bucardo explained that while there were as many as 200 microfinance institutions operating in Nicaragua, the majority served urban, not rural areas. This focus is partly due to the higher risk and the high cost of doing business in rural areas, e.g., small farmers do not have access to the telephone, much less the Internet. Bucardo believes that it is important for Nicaragua to have a financial institution specializing in serving the needs of rural agriculture. He pointed to the Grameen Bank as a successful microfinance institution.

18. (SBU) Noting that the country's last development bank had failed, the Ambassador suggested that perhaps microfinance institutions could be encouraged to serve existing rural markets through better regulation. Bucardo replied that from the state's point of view, any development bank would have to use financial resources efficiently to avoid management failure. Such a bank would have to be regulated by the Banking Superintendent. Bucardo added that, from a political perspective, microfinance institutions are not viewed favorably. Their interest rates are high) often ranging between 20% and 30% -- and they do not offer medium- to long-term financing.

19. (SBU) While from the small farmer perspective there will always be a shortage of capital, Bucardo pointed out that there is much more to improving agricultural performance than credit. There is a great need for education and training, perhaps through a "Small Business Administration" for

agriculture. Such an entity (or bank) could assist in helping small farmers move into new product markets and access new technology. The Ambassador agreed that small farmers should invest in better technology, since much traditional production is inefficient; better technology would raise productivity and would help Nicaragua benefits from CAFTA. Dixon added that small farmers also have to raise the quality of their products and look to fill niche markets (i.e., specialty crops and organic products). In addition, Dixon said that small farmers needed to operate within a stable environment (i.e., stable prices).

Forestry

¶10. (SBU) The Ambassador raised the ongoing crisis for the lumber industry caused by the government's moratorium on exports beginning June 2006. In principle, Bucardo said that the decree establishing the moratorium was correct. There had been massive illegal logging and the situation was out of control. Despite the decree, however, he said that illegal logging had continued. "Someone obtains permission to cut down one tree species," he said, "and then cuts them all down." There had to be a formal system of regulating the industry that worked; a new law was required to normalize the process. Having once worked for the U.S. Forest Service, the Ambassador noted how difficult it is for inspectors to enforce the law in remote areas. However, he expressed faith that there is a way to bring sustainability to the industry. Bucardo mentioned that the National Forestry Council (CONAFOR) had recently met with industry, workers, and other interested parties to try to resolve the impasse.

¶11. (SBU) The Ambassador posited that perhaps Nicaragua could earn carbon credits under the Kyoto Protocol, the way Costa Rica did. Bucardo agreed, explaining that he personally owned property with a stand of virgin timber. Given the value of the timber, he paid more in property taxes than it cost him to maintain the property. The Ambassador suggested that perhaps the Rainforest Alliance, or another entity, could analyze how Nicaragua could benefit from international protocols. Bucardo added that there is also an opportunity for Nicaragua to profit from conservation through the development of ecotourism.

Bananas

¶12. (SBU) The Ambassador asked Bucardo if Nicaragua intended to join Ecuador's request for WTO consultations on the implementation of the European Union's import regime for bananas. Bucardo expressed interest, noting that plantain and banana production offered great potential for Nicaragua, but did not know the answer to the question.

Bad Coffee Harvest

¶13. (SBU) Bucardo acknowledged the difficult year that Nicaragua had with coffee production, one of the country's most important exports. Production volumes were 50% below those of last year, largely because of rainy weather. November is usually the beginning of the dry season and the time when coffee beans mature. However, heavy rains this year affected the maturation rate, resulting in lower yield. Additional contributing factors were the poor condition of secondary roads and workforce migration to Costa Rica. Dixon added that to improve yield, Nicaraguan coffee growers have to move beyond traditional coffee technology.

Biography: Ariel Bucardo Rocha

¶14. (SBU) Ariel Bucardo is said to have extensive experience in the production and marketing of basic grains. He has an undergraduate degree in business administration and social sciences, and a postgraduate degree in sustainable development. In the 1980s, he played an integral role in

organizing peasants into cooperatives and achieving the political objectives of the Sandinistas in rural areas. Bucardo co-founded the 35,000-member (down from 125,000 in 1984) National Farmers and Ranchers' Union (UNAG), which he served most as vice president. UNAG's website states categorically that UNAG has been shut out of government for fifteen years, during which poverty has only worsened. However, President Bolanos appointed Bucardo (as a representative of UNAG) a member of the National Council for Economic and Social Planning (CONPRES) in 2002 and again in 2006. Bucardo also helped found the Association of Farm Workers (ATC) and the Nicaraguan Federation of Agricultural Cooperatives (FENACOOB). He is from the town of El Sauce in the Department of Leon, reportedly married, and in his 50s.

¶15. (SBU) Before becoming minister, Bucardo spent much of his time working as President of the National Rural Fund (CARUNA), a savings and credit cooperative. This may explain his advocacy for the creation of an agricultural development bank. At an anti-CAFTA demonstration with Ortega in 2005, Bucardo demanded that the government resolve the country's poverty problem through property redistribution and the establishment of a "Promotion and Development Bank." More recently, he suggested using the Venezuelan development bank (BANDES) loans to seed such a bank, which he noted could finance the purchase of Venezuelan urea and/or the construction or renovation of grain storage silos at Jalapa, El Corozo, Quilali, and Ocotal) as part of a grain reserve system that would stabilize basic grain prices. In December 2006 and before his appointment to MAGFOR, Bucardo announced a \$10-30 million line of credit from the Government of Venezuela to CARUNA, making CARUNA the premier agricultural credit cooperative in the country.

¶16. (SBU) In his capacity as a UNAG official, Bucardo appears to have been a constant critic of CAFTA, and may well be the source of information for President Ortega in this regard. In contrast, in his public statements Bucardo has stressed the value of recent trade and cooperation agreements with Venezuela and Iran. He explained that the Bolivarian Alternative for the Americas (ALBA) was "about achieving fair trade on the continent" and countering unequal relations with other countries -) "where there are big monopolies taking over the means of production, thus turning other countries into consumers." He added that he thought trade and integration should be based on social as well as commercial considerations.

¶17. (SBU) In a December 2006 meeting with outgoing Minister Mario Salvo, Bucardo promised to keep in place certain government programs designed to support small and medium

producers, such as the "Libra por Libra" (Pound for Pound) and the ProRural programs, although he would have to make "a few corrections" to increase their effectiveness. ProRural includes the creation of a national plan for biofuel prosecution)- including biodiesel from African palm.

¶18. (U) The Ministry of Agriculture and Forestry was unable to provide an official biography in time for this meeting.
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